

STATEWIDE RULES AND REGULATIONS

RULE 8. SPACING OF GAS WELLS

1. With respect to each pool occurring in the discovery well, the top of which is encountered below a measured depth of 12,000 feet below the surface, and in the Pennsylvanian and older formations with respect to each pool occurring in the discovery well, the top of which is encountered below a measured depth of 3,500 feet below the surface, every gas well:

(a) Shall be located on a drilling unit consisting of (1) 640 contiguous surface acres; or (2) a governmental section containing not less than 600 acres or more than 680 acres; or (3) sixteen (16) contiguous governmental quarter-quarter sections whose total acreage is not less than 600 acres or more than 680 acres. In any case, no other well producing from the same pool shall be located on any such unit. The word "contiguous" as used herein shall mean bordering each other at more than one point.

(b) Any gas drilling unit formed under section 1(a) of this rule must be completely encompassed by the perimeter of a rectangle 5580 feet by 6245 feet. Provided, however, no unit shall be permitted which will create island acreage.

(c) The well shall be located at least 3,000 feet from every other drilling well or well completed in or producing from the same pool located in conformity with this rule; and

(d) The well shall be located not less than 1,500 feet from every exterior boundary of the drilling unit.

2. With respect to each pool occurring in the Oligocene and younger Formations, the top of which is encountered, in the discovery well above a measured depth of 5,000 feet below the surface, the State Oil and Gas Supervisor may permit one hundred sixty (160) acre units for such pools if such unit size will promote and encourage the orderly development of the pool. Every gas well drilled in such pool:

a) Shall be on a drilling unit consisting of (1) one hundred sixty (160) contiguous surface acres, or (2) a governmental quarter section containing not less than one hundred forty-four (144) acres or more than one hundred seventy-six (176) acres. In any case, no other well producing from the same pool shall be located on any such unit. The word "contiguous" as used herein shall mean bordering each other at more than one point.

b) Any gas drilling unit formed under Section 2(a) of this Rule must be completely encompassed by the perimeter of a rectangle 2640 feet & 3500 feet. Provided, however, no unit shall be permitted which will create island acreage;

c) The well shall be located at least fifteen hundred (1500) feet from every other drilling well or well completed in or producing from the same pool located in conformity with this Rule; and

d) The well shall be located not less than seven hundred fifty (750) feet from every exterior boundary of the drilling unit.

3. With respect to all other pools, every gas well:

(a) Shall be located on a drilling unit consisting of (1) 320 contiguous surface acres; or (2) a governmental half-section containing not less than 300 acres or more than 340 acres; or (3) eight (8) contiguous governmental quarter-quarter sections whose total acreage is not less than 300 or more than 340 acres. In any case, no other well producing from the same pool shall be located on any such unit. The word "contiguous" as used herein shall mean bordering each other at more than one point.

(b) Any gas drilling unit formed under section 3(a) of this rule must be completely encompassed by the perimeter of a rectangle 3735 feet by 5380 feet. Provided, however, no unit shall be permitted which will create island acreage.

(c) The well shall be located at least 1,980 feet from every other drilling well or well completed in or producing from the same pool located in conformity with this rule; and

(d) The well shall be located not less than 990 feet from every exterior boundary of the drilling unit.

4. No portion of the drilling unit upon which a well is located shall be attributed, in whole or in part, to any other well drilling in or producing from the same pool.

5. If any well is completed as a gas well in the gas cap of a pool productive of oil, or if any well drilled as a gas well is productive from or completed in an oil pool, it shall not be produced except for a test period not exceeding forty-five (45) days, or in compliance with applicable special field rules, or until authorization has been granted by the Board after notice and hearing.

6. The drilling unit created for a gas well under this rule or any Special Field Rules shall remain in force and effect for the period of time set forth below.

(a) The unit shall automatically terminate at the time the drilling permit for such well terminates.

(b) The unit shall automatically terminate when the well is plugged or converted to a Class II well, unless an earlier termination occurs by an order of the Oil and Gas Board or by provisions of sub-section (d) below.

(c) Once drilling operations have commenced, the unit shall remain in force and effect for so long as such drilling operations or ensuing production operations continue.

(d) If a well is placed on inactive well status by filing Form 9-A, the unit for the well will continue in force and effect for two years from and after the date the well was first required to be reported as an inactive well or until July 1, 2008, which ever is later.

(e) Wells subject to a field-wide unit shall be governed by the term of the unit agreement.

(f) Exception to these limitations may be granted by the Oil and Gas Board for good cause after notice and hearing.